

Message Text

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PAGE 01 MANILA 06461 290100Z
ACTION EB-08

INFO OCT-01 EA-07 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-04
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01
/095 W

-----290957Z 039681 /17

R 290007Z APR 77
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 9097
INFO USDEL MTN GENEVA

C O N F I D E N T I A L MANILA 6461

PASS USDA
GENEVA FOR ISA DELEGATION

E O 11652: GDS
TAGS: EAGR, RP
SUBJ: SUGAR: FINANCING FOR GOP SUGAR MARKETING ORGANIZATION

1. MANILA MORNING PRESS OF APRIL 27 REPORTED THAT PHILIPPINEO
NATIONAL BANK (PNB) WILL BORROW PESOS 500 MILLION FROM LOCAL
PRIVATE COMMERCIAL BANKS THROUGH THE FLOTATION OF BANKER'S
ACCEPTANCE. PROCEEDS FROM FLOTATION WILL BE USED FOR
TRADING OPERATIONS BY PHILIPPINE EXCHANGE (PHILEX), A
WHOLLY OWNED PNB SUBSIDIARY WHICH ACTS AS THE GOP'S
MARKETING ARM FOR SUGAR.

2. COMMENT: SUGAR ESTABLISHMENT HERE BELIEVES PNB IS
ATTEMPTING TO SPREAD FINANCIAL BURDEN OF SUPPORTING VERY
LARGE PHILIPPINE SUGAR STOCKS BY SETTING UP A MORE
INDEPENDENT FINANCIAL STRUCTURE FOR PHILEX, WHICH HAS
SUFFERED HEAVY LOSSES RECENTLY. PNB HAS BEEN HAVING
SERIOUS LIQUIDITY PROBLEMS DUE, IN CONSIDERABLE PART,
TO MONEY WHICH THE BANK HAS TIED UP IN SUGAR STOCKS.
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3. THE DAILY EXPRESS REPORTED THAT "THE FUNDS ARE
EXPECTED TO HELP PHILEX BUY DOMESTIC SUGAR AND STORE
THE ITEM WHILE WAITING FOR FAVORABLE PRICES ABROAD."
SOME INDUSTRY REPS HAVE SPECULATED THAT THIS MENAS
GOP MAY TRY TO SLOW CURRENT SALES IN AN EFFORT TO
TAKE ADVANTAGE OF HIGHER PRICES THAT MAY RESULT

LATER THIS YEAR IF ISA ENTERS INTO EFFECT. GIVEN
CURRENT HIGH LEVEL OF PHILIPPINE STOCKS SPECULATIVE HOARDING
WOULD SEEM UNLIKELY, BUT GOP IS NOT RPT NOT KNOWN FOR RATIONAL
MANAGEMENT OF ITS SUGAR STOCKS.
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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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